



OFFERING MEMORANDUM

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WEST
CAPITAL



 **KEYSTONE**
REAL ESTATE ADVISORS

Big Lots & Shops Space | Value-Add Opportunity

Merced, CA (San Jose-San Francisco-Oakland CSA)

www.preservewestcapital.com



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Disclaimer

Preserve West Capital ("Broker") has been retained on an exclusive basis to market the property described herein ("Property"). Broker has been authorized by the Seller of the Property ("Seller") to prepare and distribute the enclosed information ("Material") for the purpose of soliciting offers to purchase from interested parties. More detailed financial, title and tenant lease information may be made available upon request following the mutual execution of a letter of intent or contract to purchase between the Seller and a prospective purchaser. You are invited to review this opportunity and make an offer to purchase based upon your analysis. If your offer results in the Seller choosing to open negotiations with you, you will be asked to provide financial references. The eventual purchaser will be chosen based upon an assessment of price, terms, ability to close the transaction and such other matters as the Seller deems appropriate.

The Material is intended solely for the purpose of soliciting expressions of interest from qualified investors for the acquisition of the Property. The Material is not to be copied and/or used for any other purpose or made available to any other person without the express written consent of Broker or Seller. The Material does not purport to be all-inclusive or to contain all of the information that a prospective buyer may require. The information contained in the Material has been obtained from the Seller and other sources and has not been verified by the Seller or its affiliates. The pro forma is delivered only as an accommodation and neither the Seller, Broker, nor any of their respective affiliates, agents, representatives, employees, parents, subsidiaries, members, managers, partners, shareholders, directors, or officers, makes any representation or warranty regarding such pro forma. Purchaser must make its own investigation of the Property and any existing or available financing, and must independently confirm the accuracy of the projections contained in the pro forma.

Seller reserves the right, for any reason, to withdraw the Property from the market. Seller has no obligation, express or implied, to accept any offer. Further, Seller has no obligation to sell the Property unless and until the Seller executes and delivers a signed agreement of purchase and sale on terms acceptable to the Seller, in its sole discretion. By submitting an offer, a purchaser will be deemed to have acknowledged the foregoing and agreed to release Seller and Broker from any liability with respect thereto.

Property walk-throughs are to be conducted by appointment only. Contact Broker for additional information.

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PROPERTY HIGHLIGHTS



- Value-Add Opportunity in Core Central Valley Location with Below Market Rent
- Short Term, Corporate Net Lease to Big Lots (Publicly Traded NYSE: BIG) with Approximately 2 Years Remaining
 - Tenant Responsible for all Taxes, Insurance, and Proportionate Share of CAM, Excluding Roof and Structure
- Tenant has Occupied the Site for 20+ Years, Demonstrating Significant Investment in Site and Likelihood to Exercise Final Option
- Big Lots, Inc. has Over 1,400 Stores in 47 States and Employs 35,000+ Associates
- In 2021 Big Lots Reported Revenue of \$5.27 Billion and Net Income of \$294.9 Million
 - Fortune 500 Company
- Robust, Affluent Demographics within 5 Miles
 - Total Daytime Population of 110,578
 - Average Household Income of \$75,922
- Strategic Retail Location Outparcel to Merced Mall
 - Major Redevelopment Planned to Include New Cinemark Movie Theater, Retail, Entertainment and Restaurant Space, and Upgraded Design Elements Throughout
 - Current Anchor Tenants Include Target, Kohl's, JCPenney, Plus More Than 75 Retailers
- Excellent Access and Visibility on Main Thoroughfare Between M Street and W Olive Avenue – Combined AADT of 50,204
- 1.5 Miles from Merced Community College – Enrollment of 15,000
- College Town Location Just Six Miles to the University of California - Merced Campus – with 10,000+ Students
- Two Miles from Mercy Medical Center, a 185-Bed Acute Care Facility
- Approximately 115 Miles from San Jose and the Bay Area



PRICE

\$3,233,000

4.00% CAP Rate

14.24% Proforma Cap Rate Based on Current Market Rent with 100% Lease Up

The Investment

The subject property offers an investor the opportunity to acquire a nationally recognized tenant while providing flexibility and upside to a new owner as the rest of the mall overgoes a significant redevelopment. Rental rates could approach \$12-\$18 per square foot annually on the space for approximately \$40-\$50 per square foot in capital repairs and tenant improvement allowance. With excellent access and visibility within an established retail corridor and a highly functional footprint, an investor, at a 7% CAP on the potential income, would be in the black in the range of \$500,000 to \$1 million in capitalized value.

Location

The **Big Lots** property is located at 659 Fairfield Drive in Merced, California.

The **Vacant Space** is adjacent to Big Lots at 3191 M Street in Merced, California.

Lot Size

Big Lots | Approximately 2.4 acres or 104,544 square feet.

Vacant Space | Approximately 0.93 Acres or 40,510.8 square feet

Improvements

Big Lots | 20,359 square feet

Vacant Space | 10,034 square feet

Lease

Leased to **PNS Stores, Inc.** through January 31, 2024 with one additional 5-year option to renew. The lease is net with Tenant responsible for all taxes, insurance, and proportionate share of common area maintenance expenses, excluding roof and structure.

Annual Rent & Proforma Rent

Time Period	Total SF	Current Rent/SF	Current Rent	Current Return	Proforma Rent/SF	Proforma Annual Rent	Proforma Return
Big Lots							
Current - Option 3	25,359 SF	\$6.36	\$129,328	4.00%	\$12.00	\$304,308	
Option 4		\$6.96	\$141,600	4.40%			
Vacant Space							
	8,670 SF				\$18.00	\$156,060	
TOTAL	34,029 SF					\$460,368	14.24%

Financing

The property will be delivered free and clear of permanent financing.



Headquartered in Columbus, Ohio, **Big Lots, Inc. (NYSE: BIG)** is a leading home discount retailer and a Fortune 500 company, operating 1,432 stores with 35,000 employees in 47 states, as well as a best-in-class ecommerce platform with expanded capabilities via BOPIS, curbside pickup, Instacart and same day delivery across thousands of items. The company's product assortment is focused on home essentials: Furniture, Seasonal, Soft Home, Food, Consumables and Hard Home. Ranked one of the fastest-growing eCommerce businesses by Digital Commerce 360 and the recipient of Home Textiles Today's 2021 Retail Titan Award, Big Lots' mission is to help people Live BIG and Save Lots. 2022 brought a new product line to Big Lots stores, the Mario Lopez brand of workout gear, protein powders, recovery essentials and home gym equipment, including products exclusive to Big Lots, as well as the Echelon fitness bike, workout clothing, home gym organization and more. Net sales for the first quarter of fiscal 2022 totaled \$1.37 billion, a decrease compared to \$1.63 billion for the same period last year, and an increase of 6.1% compared to the first quarter of 2019. E-commerce accounts for over 7% of sales, with same-day deliveries growing 20% over 2021. Private label brands, Broyhill and Real Living, comprised close to 30% of sales.

The lessee, **PNS Stores, Inc.**, filed a name conversion in 2022 to Big Lots Stores – PNS, LLC. The PNS Stores California corporation is no longer an active corporation.



AERIAL

WEST VIEW

MERCED MALL - UPCOMING REDEVELOPMENT



W Olive Ave (29,494 AADT)



Franciscan Post-Acute
Care Center

Michael's

MILAN
MILAN INSTITUTE
MILAN INSTITUTE OF COSMETOLOGY

BIG
LOTS!

AERIAL

AREA VIEW



MERCED MALL - UPCOMING REDEVELOPMENT

TARGET **TILLY'S**
KOHL'S **JCPenney**
CROSSFIT **PANERA** **CRISP OATS**

BIG LOTS!

Raley's

IN-SHAPE
HEALTH CLUBS

Peterson Elementary

Jack in the Box **BURGER KING** **DUTCH BROS**

Michaels
Where Creativity Happens

BEST BUY **Planet Fitness**

ROSS
DRESS FOR LESS
Food 4 Less
JO-ANN
Fabrics Etc.

Walmart

RITE AID **TACO BELL**

W Olive Ave (29,494 AADT)

Merced Highschool

McDonald's **Starbucks** **KFC**

Luther Burbank Elementary

Walgreens

LOWE'S
Home Improvement Warehouse
BARNES & NOBLE
www.bn.com

HOBBY LOBBY
food maxx
HARBOR FREIGHT TOOLS

PETSMART
LESLIE'S SWIMMING POOL SUPPLIES
CVS pharmacy **Starbucks**

COLLEGE GREEN
Save Mart **STAPLES**

IN-SHAPE
HEALTH CLUBS

Mercy Medical Center Merced

THE HOME DEPOT

GROCERY OUTLET
ROCKIN' JUMP
The Ultimate Recreational Place

John C. Fremont Elementary

Courthouse Square

DOWNTOWN

Herbert Hoover Intermediate

COSTCO WHOLESALE

ABOUT THE AREA



Merced Mall Redevelopment

Serving a large geographic section of California's Central Valley, Merced Mall is undergoing a major redevelopment to ensure its long term dominance in the market. The 32-acre shopping destination will move toward becoming more entertainment- and service-driven, which will result in greater draw and repeat business.

Initial expansion plans include a state-of-the-art, 56,000 square foot luxury Cinemark movie theater. Approximately a third of enclosed mall space will be demoed and reconfigured to make room for the theater as well as the outdoor Theater Square, featuring a promenade with gathering space and multiple restaurants.

Upgrades are also planned for the mall's entrances and interior common areas, including Center Court which houses holiday activities and the south interior entrance for JCPenney. The interior ambiance improvements will include greenery, new flooring, lighting, and seating, and exposed areas of the ceiling for more natural light.

Additional planned improvements include space for new junior anchor(s) with easy access along Olive Avenue, south side facade upgrades, and new pylon and directory signage to reflect the new design elements throughout.

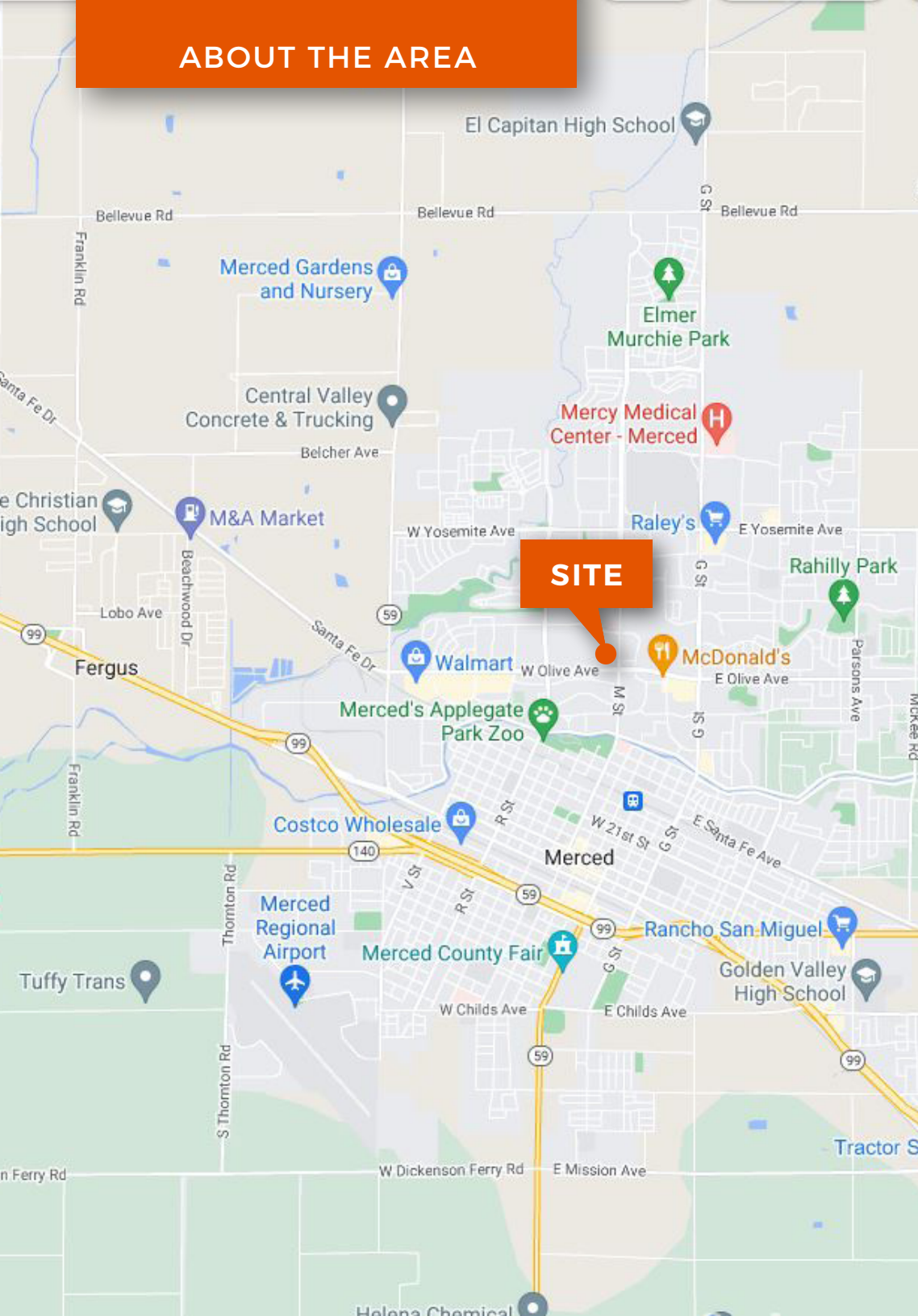
New restaurants already headed to Merced Mall include an Olive Garden at the former Hometown Buffet site and a free-standing Chili's Bar & Grill under construction near the southwest corner of the center.

A map of Northern California with an orange banner at the top that reads "ABOUT THE AREA". The map shows major cities including Sacramento, Stockton, Modesto, San Francisco, San Jose, Fresno, and Merced. A red pin labeled "SITE" is located near Merced. The map also shows major highways (Interstates 5, 80, 580, 505, 205, 880, 280, 101) and geographical features like Lake Tahoe and the Sierra Nevada mountains.

Merced (population 90,971) is a city in Merced County (population 285,000), California in the San Joaquin Valley, the agricultural hub of the State. Less than two hours from Yosemite National Park to the east and Monterey Bay, the Pacific Ocean, and multiple beaches to the west, Merced's valley location, southeast of San Francisco, provides easy access to the central California coast, Sierra Nevada Mountains and National Parks, and major cities. The community is served by Amtrak San Joaquin passenger rail service, Merced Regional Airport, and three bus lines. It is Approximately 115 Miles from San Jose and the Bay Area.

The Merced local housing market has strongly rebounded since the economic downturn in 2020. The Countywide median price on all types of home sales increased 23.1% to \$370,000 in September 2021 as compared to \$300,500 in September 2020. Development of single-family and multi-family construction continues to outpace prior years citywide with a median listing home price of \$409,000. In the commercial market, a new 20-acre mixed-use commercial development, Yosemite Crossing Shopping Center in North Merced is underway. The current tenant mix includes Crumbl Cookies, Habit Burger, West Coast Sourdough and Starbucks, to name a few. Apartments, office space and a hotel are also slated for future phases of the project.

ABOUT THE AREA



Site Information

The subject property is on the perimeter of Merced Mall with excellent access on Fairfield Drive as well as from W Olive Avenue, M Street, and Loughborough Drive, with a combined AADT of 55,923. Merced Mall is the only enclosed regional mall within a 43-mile radius. Its anchors are JCPenney, Target, and Kohl's, Big Lots, and includes over 75 restaurants, stores and specialty shops. The site benefits from robust demographics with a total daytime population of 110,578 within a 5-mile radius and an average household income of \$75,922 within 5 miles of the site.

The property benefits from a prominent retail location in close proximity to shopping centers, major retail tenants, schools, and employers. Nearby retail centers include Merced Marketplace anchored by Lowe's, Big 5 Sporting Goods, Barnes & Noble, Hobby Lobby, FoodMaxx, O'Reilly Auto Parts, Panda Express and more; College Green Shopping Center featuring Taco Bell, Togo's Sandwiches, Rite Aid, The UPS Store, and Dollar Tree. Other highlights surrounding the site include multiple apartment complexes and professional suites, the Milan Institute, Apple Dental, Rascal Creek Medical Center and many more.

The University of California Merced campus, just over 5 miles northeast, adds to the already-established growth of the region and offers schools of engineering, science, humanities and arts to its student body of 10,000+ and has plans for future schools in management and medicine. Two miles from the site is Merced Community College, with a student population of nearly 15,000, offers 30 different associate degree and certificate programs in social science, psychology, business management, marketing and related programs. The property is located less than a mile from Merced High School (1,705 Students), Rudolph Riviera Intermediate School (620 Students), and Peterson Elementary School (562 Students). Merced Medical Center, a 186-bed acute care hospital, just over 2 miles from the site, is a member of Dignity Health and a part of CommonSpirit Health, one of the largest nonprofit health systems in the nation and one of the largest employers in Merced County, serving the community since 1873. The hospital offers acute care, surgery, and cancer treatment services.

DEMOGRAPHICS



Fairfield Dr & M St | Merced, CA 95348



2021 TOTAL POPULATION

106,107



AVERAGE HOME VALUE

\$297,972



AVG. HOUSEHOLD INCOME

\$75,922

Population Summary	1 Mile	3 Miles	5 Miles
2010 Total Population	17,515	82,834	95,808
2021 Total Population	18,417	91,280	106,107
2026 Total Population	18,610	93,174	108,638
2021 Total Daytime Population	22,085	96,623	110,578
Average Household Income			
2021	\$57,644	\$74,761	\$75,922
2026	\$64,481	\$84,951	\$86,541
Average Home Value			
2021	\$264,299	\$295,850	\$297,972
2026	\$301,509	\$440,391	\$453,035

Top Employers in Merced

of Employees

UC Merced	2,251
County of Merced	2,087
Foster Farm Inc	1,992
Mercy Medical Center	1,346
Merced County Office of Education	1,287
Merced City School District	1,266
Merced Union High School District	994
Merced College	802
Dole Packaged Foods	751
Liberty Packing Company	650



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